



# Reports Issued in May 1989

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# Reports Issued in May 1989

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## National Defense

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### Special Access Programs: DOD Is Strengthening Compliance With Oversight Requirements

GAO/NSIAD-89-133, May 4.

Special access programs are highly classified projects with tightly controlled access and stringent security measures beyond those of standard classified programs. Over the past few years, the Department of Defense has increased its internal activities and requirements for oversight and review of special access programs within the services and the Office of the Secretary of Defense. The number of DOD audit and inspection agencies reviewing special access programs has increased from two to eight since 1978. Despite the growth of special access program oversight activity, DOD security oversight and compliance with requirements of DOD Regulation 5200.1-R and DOD Directive 5205.7 for such programs could be strengthened. DOD organizations should be directed to comply with provisions for special access programs in the regulation and directive. Furthermore, the Secretary of Defense should direct the Deputy Under Secretary of Defense (Policy) to report at least annually on DOD organizations that do not comply with those provisions.

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### DOD Investigative Programs: Background Data

GAO/NSIAD-89-143FS, May 10.

This fact sheet provides information on the missions, organization, staffing, and productivity of the Army Criminal Investigation Command, the Naval Investigative Service, and the Air Force Office of Special Investigations. Each of these organizations investigates fraud, assault, drug violations, and property crimes, in addition to providing protective services for their respective service. The Army Criminal Investigation Command also provides protective services for the Department of Defense. The Naval Investigative Service and the Air Force Office of Special Investigations conduct counterintelligence investigations.

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### DOD Internal Review: Extent of Operations, Types of Work Performed, and Benefits Derived

GAO/AFMD-89-49FS, Apr. 5.

Internal review is a term used by the Department of Defense to describe groups which assist commanding officers and management by reviewing the performance of the command and carrying out other functions associated with ensuring appropriate internal controls and use of resources. DOD has established internal review offices in the Army, Navy, Marine

Corps, Defense Logistics Agency, and National Guard Bureau. The type of work done varies considerably from one office to another and from one DOD component to another. Generally, the work includes audits and other reviews, follow-up on hot-line complaints and on audit recommendations made by other audit organizations, and liaison work with other auditors who are reviewing the internal review's command. Based on data compiled by the DOD Office of Inspector General, internal review activities resulted in about \$321 million in potential monetary benefits for FY 1988, as well as other benefits which are not quantifiable, such as improved internal controls, resolution of hot-line complaints, and follow-up actions taken on the audit recommendations of others.

#### Military Personnel: Implementation Status of Joint Officer Personnel Policies

GAO/NSIAD-89-113, Apr. 7.

Title IV of the Goldwater-Nichols Department of Defense Reorganization Act sought to improve the quality of officers assigned to joint duty, increase their education and experience levels, and expand their exposure to joint (multiservice) matters. GAO found that the level of progress in implementing title IV varies. Generally, quality officers are being selected as joint specialists and assigned to joint duty but quality differs by grade and service. The services are not consistently meeting promotion targets established by the act. DOD has initiated efforts to analyze title IV's applicability to reservists, but it has not yet established personnel policies for reserve officers. Overall, DOD is making significant progress in implementing provisions of title IV, including the quality of officers being assigned to joint duty and the development of information systems to govern the management of joint officers.

#### Defense Manpower: Reductions in Joint Activities and Service Reallocations

GAO/NSIAD-89-148FS, May 17.

GAO was requested to review the Department of Defense's plans for implementing the reduction in headquarters organizations outlined in the Secretary of Defense's report to Congress dated December 1, 1988. Of the 7,309 positions originally identified for elimination in the DOD Inspector General study, DOD eliminated 2,990 positions from its budget—426 from joint activities and 2,564 from the services. The reductions are expected to be accomplished through normal attrition and rotation.

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Strategic Defense  
Initiative Program:  
Zenith Star Space-Based  
Chemical Laser  
Experiment

GAO/NSIAD-89-118, Apr. 14.

The Strategic Defense Initiative Program underwent a change in 1987 when the Department of Defense approved a phased deployment approach for the Strategic Defense System, a ballistic missile defense system. The plan provides for the initial deployment of a phase I system, followed by several follow-on deployment phases as the Soviet threat evolves. The space-based chemical laser is the leading candidate for deployment during the early follow-on phase because it is the most mature laser technology. Progress in developing the technologies for a space-based chemical laser is about 1 to 2 years behind the schedule SDIO estimated in 1984. However, to demonstrate feasibility in time to deploy during the early follow-on phase, SDIO, in January 1987, initiated the Zenith Star Program to test a space-based chemical laser in 1990—about 4 years earlier than previously planned. However, as of March 1989, the launch date had slipped from 1990 to the mid-1990s.

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Government Contracting:  
Effect of Changes in  
Procurement and Tax  
Policy on the Defense  
Industry

GAO/NSIAD-89-121, May 17.

GAO was requested to analyze the MAC Group, a faculty based international general management consulting firm, study entitled, The Impact on Defense Industrial Capability of Changes in Procurement and Tax Policy—1984-1987. One objective of the group was to address the financial and operating impact of selected changes in procurement and tax policies on the defense industry. While GAO agrees with the a basic concept of the MAC study—that the cumulative impact of policy changes should be considered before the changes are made—GAO analyses indicated that based on limited data available, MAC's conclusions cannot be validated for the defense industry as a whole. GAO found problems with MAC's methodology, such as the study used accrual data rather than actual cash flow data in its net present value computation and the study does not explain how the nine anonymous companies took into consideration any behavioral changes that might occur due to the policy changes.

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**Automated Information  
Systems:  
Schedule Delays and Cost  
Overruns Plague DOD  
Systems**

GAO/IMTEC-89-36, May 10.

This report highlights information on eight automated information systems being developed by the Army, Air Force, Navy, and Defense Logistics Agency. The information came from previous GAO reports concerning these specific systems. GAO found the following: (1) all eight systems have experienced significant cost growth, some in the hundreds of millions of dollars; (2) four of the eight systems have been in development for at least 8 years and two of the systems' development efforts were abandoned after spending about \$237 million; (3) budget submissions to Congress have underestimated the total life cycle costs for some of the systems because the Department of Defense components have not provided current, accurate, and complete cost information; and (4) the Major Automated Information System Review Council within the Office of the Secretary of Defense has not rigorously enforced established policies, procedures, and criteria for reviewing major systems.

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**ADP Budget:  
Department of Defense's  
Information Technology  
Systems Obligations**

GAO/IMTEC-89-51FS, May 18.

This report provides Defense budget summary information on the Departments of the Army, Navy, and Air Force, as well as the Office of the Secretary of Defense and defense agencies automated data processing resources. GAO's information comes from Defense's reports for FYs 1987, 1988/1989, amended 1988/1989, and 1990/1991. They are required by the Office of Management and Budget Circular A-11. As specified in the circular, they show obligations for information technology activities by fiscal year distributed among such categories as capital investment, personnel, rental and other, and commercial services.

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**ADP Acquisition:  
Defense Logistics Services  
Center Modernization  
Program**

GAO/IMTEC-89-32, Mar. 20.

The Defense Logistics Services Center, a field activity of the Defense Logistics Agency, manages and maintains the Federal Catalog System. The catalog system is the principal source item identification and logistics information for actions related to procuring, storing, issuing, and disposing of supply items repetitively used in the federal government. The system is automated and uses a data management system called the Defense Integrated Data System. In 1979, DLSC projected that its work load would exceed computer processing capacity by 1985. Although interim upgrades in 1981 and 1983 provided temporary solutions to

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computer capacity problems, a Program Management Office was established in January 1981 to address DLSC's long-term automated data processing needs. This marked the start of the DLSC Modernization Program. The program includes the redesign of the Defense Integrated Data System data base, and replacement of the system's hardware and most of the applications software. As a result of a congressional hearing in 1988, the DLSC Modernization Program was one of seven programs identified by the Office of the Secretary of Defense as experiencing significant cost growth. OSD reported an increase of \$54 million in the modernization program's cost estimate—from \$123 million to \$177 million. According to life cycle management documents, \$123 million an April 1986 estimate, and \$177 million is a June 1988 estimate. Both estimates represent the cost to develop and deploy the modernized system.

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**Army Audit Agency:  
Staff Reductions and  
Audit Quality Issues**

GAO/AFMD-89-1, Apr. 21.

The Army Audit Agency's mission is to provide an independent and objective internal audit service to all Army organizations and activities. The Army has considered several proposals to reduce AAA staffing for FY 1989, ranging from a proposed 13-percent reduction to the actual 3-percent reduction that was imposed. The 3-percent reduction will probably not seriously impact AAA operations and coverage. However, further reductions in future years could adversely affect audit coverage as well as quality. Based on a review of AAA reports and working papers, GAO found that, while the findings in audit reports were generally supported, there was insufficient evidence for some key statements and positions in AAA reports. Also, auditors are not always determining or reporting the cause of identified problems, thus impeding their ability to make effective recommendations. Otherwise, AAA is independently and objectively carrying out its mission.

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**Army Procurement:  
Restriction on the  
Purchase of Alloy Steel to  
U.S. and Canadian Sources**

GAO/NSIAD-89-126FS, May 5.

For assigned items, the Army's Armament, Munitions and Chemical Command is responsible for ensuring that an adequate industrial base is maintained in the United States to produce items determined to be critical to the Army's mission. In carrying out this responsibility, AMCCOM determined, after considering limited information, that the industrial base for steel needed to produce critical grenade bodies has been deteriorating and that action was necessary to guarantee that future mobilization needs would be met. To protect U.S. steel producers, AMCCOM

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directed prime contractors for the grenades to purchase the necessary steel from U.S. or Canadian sources for FY 1988 requirements. AMCCOM is continuing to study the capability of the domestic steel industry and believes that the outlook for this particular sector of the steel industry is capable of handling mobilization requirements for 4140 steel. Accordingly, AMCCOM said that the restriction will not be necessary for future grenade procurements.

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ADP Budget:  
Department of the Army's  
Information Technology  
Systems Obligations

GAO/IMTEC-89-47FS, May 18.

This report provides budget information on the Department of the Army's automated data processing resources. The information comes from the Army's reports for FYs 1987, 1988/1989, amended 1988/1989, and 1990/1991 as required by Office of Management and Budget Circular A-11. As specified in the circular, they show the Army's obligations for information technology activities by fiscal year distributed among categories, such as capital investment, personnel, rental and other, and commercial services.

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ADP Acquisition:  
Army Civilian Personnel  
System

GAO/IMTEC-89-22FS, Mar. 3.

The Army Civilian Personnel System is intended to upgrade and standardize automated data processing support capabilities for civilian personnel administration functions, such as staffing, position and pay management, and training and development. ACPERS responds to the Department of Defense and Office of Management and Budget directive that the Army provide a single automated system for civilian personnel administration. In December 1984, after considering a number of alternatives for a single personnel system, it decided to design and develop its own system. In April 1988, the Army decided to abandon its development efforts after study team concluded that problems with ACPERS software could not be corrected and an additional 42 to 48 months would be needed to develop new software. The Army decided to use the Air Force's system known as the Personnel Data System-Civilian. As a result of a September 1988 hearing on the Navy's Standard Automated Financial System, the Office of the Secretary of Defense reported that ACPERS was one of seven major automated information systems experiencing significant cost growth. Using information provided by the Army, OSD reported that the cost estimate for ACPERS increased from a 1985 figure of \$65 million to a 1988 figure of \$96 million. The Army analyst who



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provided the information to OSD told GAO that the \$65 million figure is a December 1985 estimate of the cost to develop and deploy the Army-designed ACPERS, and the \$96 million figure was supposed to represent an October 1988 estimate of the Army's cost to develop and deploy the Air Force system.

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**Army Ammunition:  
The Mississippi Plant Will  
Be Closed After  
Demonstrating Its  
Production Capability**

GAO/NSIAD-89-131, May 4.

The Mississippi Army Ammunition Plant, near Picayune, Mississippi, is the only new ammunition plant that the Army has built since World War II. The plant has experienced increased construction costs, construction delays, missed production schedules, high production costs, and product quality problems. Production costs are decreasing, but some problems with quality persist. Many of the critical projects under the Mississippi mobilization contract—intended to correct plant deficiencies—were behind their original schedule as of September 1988. Nonetheless, the Army's independent panel believes that the mobilization contract is generally proceeding well and should be completed on schedule. Also, by that time the contractor is required to demonstrate the plant's capability to produce 120,000 M483A1 rounds a month; however, the Army's plan for testing the plant's capability has limitations. The Army had planned to continue production M483A1 rounds at the Mississippi plant following completion of the mobilization contract. However, due to funding constraints, it did not request FY 1990 funds to procure additional M483A1 rounds. Consequently, the Army now plans to place the plant in standby status following completion of the contract.

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**Computer Procurement:  
Navy Decision to  
Terminate Its Standard  
Automated Financial  
System**

GAO/IMTEC-89-37, Mar. 30.

In 1980, the Navy initiated its Standard Automated Financial System program to (1) standardize accounting and financial management functions within the Navy Industrial Fund activities in accordance with government requirements; (2) satisfy the financial management information needs of these industrial fund activities; and (3) correct known accounting deficiencies at 14 industrially funded Research, Development, Test and Evaluation centers and laboratories. In September 1988, it was reported that STAFS was experiencing serious problems. For example, the Navy had spent about \$230 million on the system, estimates for completing implementation ranged as high as \$479.4 million and deployment has slipped by more than 5 years to at least 1991. In light of these problems, the Navy had to decide whether to continue STAFS or pursue some

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other alternative. The decision to terminate STAFS followed several months of Navy study and high-level deliberations. In the final analysis, the decision was based on the Navy's finding that upgrading the centers' and laboratories' existing accounting systems in lieu of continuing STAFS or pursuing some other alternative was the least costly, least risky, and most timely course of action.

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**ADP Acquisition:  
Naval Aviation Logistics  
Command Management  
Information System**

GAO/IMTEC-89-21FS, Feb. 23.

The Naval Aviation Logistics Command Management Information System was initiated in 1977 to automate recordkeeping and reporting requirements for aircraft repair, maintenance, and supply activities throughout the Navy and Marine Corps. The Navy expects NALCOMIS to increase aircraft readiness, reduce administrative costs and inventory loss, improve turnaround time for repairs, provide greater visibility of assets, and free personnel for more productive maintenance and supply duties. NALCOMIS is being developed and deployed in three phases. Since 1977, the Navy has expended \$233 million to design and develop NALCOMIS and to implement the system at 37 of the more than 500 sites selected to receive NALCOMIS. Program officials estimate total life cycle costs for the system at about \$1.4 billion. In 1988 hearings, the Office of the Secretary of Defense was asked to identify automated information systems experiencing significant cost growth. NALCOMIS was identified as one of seven systems that experienced significant cost growth and reported its procurement cost estimate increased from \$525 million in 1987 to \$614 million in 1988. Program officials say the cost estimate is incomplete because the \$525 million figure represents estimated procurement costs for only phases I and II, whereas the \$614 million figure represents estimated procurement costs for phases I, II, and III.

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**ADP Acquisition:  
Navy's Efforts to Develop  
an Integrated Disbursing  
and Accounting System**

GAO/IMTEC-89-20FS, Feb. 8.

The Navy's Integrated Disbursing and Accounting Financial Information Processing System, started in the mid-1970s, is intended to integrate the Navy's separate disbursing and accounting records to ensure that accounts payable and obligations are recorded before commercial payments are authorized. As of December 1988, the IDA project manager estimated that system development was about 75 percent complete. According to a 1988 economic analysis, about \$90 million has been spent for system development. Navy planning documents estimate that system deployment will begin in October 1989 and be completed in 1992. IDA

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was one of seven systems identified by the Office of the Secretary of Defense as experiencing significant cost growth. OSD identified an increase of approximately \$76 million in IDA's cost estimate—from \$91.4 million to \$167 million. Navy documents and IDA project officials attribute the reported cost growth to problems with the system's development, primarily to (1) a failed attempt to extensively modify an existing system, and (2) failure of a fourth generation, self-documenting computer language because it proved unsuited for large-scale system development.

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**ADP Budget:  
Department of the Navy's  
Information Technology  
Systems Obligations**

GAO/IMTEC-89-48FS, May 22.

This fact sheet provides information on the Department of the Navy's automated data processing resources budget request. The information comes from the Navy's reports for fiscal years 1987, 1988/1989, amended 1988/1989, and 1990/1991. They are required by Office of Management and Budget Circular A-11. As specified by the circular, they show the Navy's obligations for information technology activities by fiscal year distributed among such categories as capital investment, personnel, rental and other, and commercial services.

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**Navy Weapons Testing:  
Defense Policy on Early  
Operational Testing**

GAO/NSIAD-89-98, May 8.

Department of Defense directives generally call for operational testing and evaluation input at all major acquisition decision points, including full-scale development and low-rate initial production. There is some question whether OT&E can be accomplished for many systems before the full-scale development decisions are made. GAO found the Navy typically made these decision before any OT&E was accomplished. During FYs 1985 to 1988, the Navy typically approved weapon systems for full-scale development and, in many cases, for low-rate initial production before any OT&E was completed. GAO reviewed 19 Navy systems to determine whether OT&E was conducted in support of early acquisition decisions. This included 10 full-scale development decisions and 10 low-rate production decisions. OT&E was not conducted before any of the 10 full-scale development decisions and was conducted before only 3 of the 10 low-rate initial production decisions. For three on the systems that had not been operationally tested, the Navy's Operational Test and Evaluation Force prepared operational assessments to support initial production decisions.

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**Tactical Airlift:  
Issues Concerning Air  
Force Plans for Pacific  
Distribution System**

GAO/NSIAD-89-81, Mar. 30.

The Air Force Pacific Distribution System is a logistics initiative aimed at providing assured distribution/redistribution of mission-essential tactical aircraft spare parts within the Pacific theater. PDS was designed primarily to deliver spare parts between the Pacific Logistics Support Center, an intermediate-level repair facility located at Kadena Air Base, Japan, and tactical air bases in Korea, Japan, and the Philippines. The Air Force has experienced some problems with PDS. For example, it selected an aircraft that is not fully capable of carrying out the assigned mission. The C-12 can provide only limited, emergency spare parts service, which can also be provided by similar administrative aircraft already operating in the theater. More rapid delivery of mission-critical spare parts may be neither practical nor necessary as Military Airlift Command already operates extensive delivery service between Pacific Air Forces bases and the Pacific Logistics Support Center is being phased out.

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**Financial Management:  
Operating Cash  
Requirements for Air  
Force Stock Fund Can Be  
Reduced**

GAO/AFMD-89-60, Apr. 7.

The Air Force stock fund provides for the financial management, inventory control, and distribution of consumable items of supply and low-cost equipment to support both peacetime and wartime operations. At the end of fiscal year 1988, the stock fund had a total inventory value of \$8.4 billion and annual sales of \$9.6 billion. The Air Force accounting system did not produce needed information for managing and determining the stock fund operating cash balance. GAO believes, based on budgetary information and estimates, that the balance can be substantially reduced from the current 11-day cash target to approximately 3 days.

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**ADP Acquisition:  
Air Force Logistics System  
Modernization Projects**

GAO/IMTEC-89-42, Apr. 21.

The Requirements Data Bank, the Contract Data Management System, and the Depot Maintenance Information System are a part of the Air Force Logistics Management Systems Modernization Program. Established in the early 1980s, the program initially brought 10 separate ongoing logistics system modernization projects under the management of the Air Force Logistics Command. The primary objective of the Requirements Data Bank project is to modernize the Air Force's automated and

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manual requirements functions and correct deficiencies in the requirements and computation process. The Office of the Secretary of Defense reported that the RDB program cost estimate had grown from \$140 million to \$248 million. The Contracting Data Management System is being developed to provide a data base management system to manage contracting information by weapon system, automate data input and contract preparation, and improve pricing capabilities. OSD reported that CDMS cost estimate had grown from approximately \$34 million to \$74 million. The objective of the Depot Maintenance Management Information System is to improve the Air Force's depot management and maintenance functions, including scheduling, production, engineering planning, and quality assurance. The system is being developed in three phases. In 1984, the Air Force estimated the DMMIS acquisition cost at \$85 million. That estimate, as of December 1988, has increased to \$242 million.

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**ADP Budget:  
Department of the Air  
Force's Information  
Technology Systems  
Obligations**

GAO/IMTEC-89-49FS, May 22.

This fact sheet provides information on the Department of the Air Force's FY 1990 budget request for automated data processing resources. The information comes from the Air Force's reports for FYs 1987, 1988/1989, amended 1988/1989, and 1990/1991. They are required by Office of Management and Budget Circular A-11. As specified in the circular, they show the Air Force's obligations for information technology activities by fiscal year distributed among such categories as capital investments, personnel, rental and other, and commercial services.

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**International Affairs**

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**U.S. Trade Deficit:  
Impact of Currency  
Appreciations in Taiwan,  
South Korea, and Hong  
Kong**

GAO/NSIAD-89-130, Apr. 28.

The economies of Taiwan, South Korea, and Hong Kong are commonly referred to as the Asian newly industrializing countries. The Asian NICs have run combined trade surpluses with the United States in the 1980s, growing from \$4.9 billion in 1980 to \$35.4 billion in 1987. The combined U.S. trade deficits with Taiwan, South Korea, and Hong Kong represented 21 percent of the total U.S. trade deficit in 1987. The sharp increase in the U.S. trade deficit with these three countries resulted

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from a rapid increase in U.S. imports from them while U.S. exports to them increased much more slowly. Several factors have contributed to the U.S.-Asian NIC trade imbalance in the 1980s. Among these are (1) low-valued Asian NIC currencies relative to both the U.S. dollar and the Japanese yen, (2) systemic differences between the Asian NIC and U.S. economies, and (3) historical trading patterns among the Asian NICs, Japan, and the United States.

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**International Finance:  
Regulation of International  
Securities Markets**

GAO/NSIAD-89-115, Apr. 14.

As securities markets become increasingly international markets, offering investors and securities issuers many advantages, they also pose increased risks. Disturbances in one market may affect other markets. The internationalization of securities markets is inevitable and will necessitate some changes in current national regulatory policies. Capital adequacy regulation will be among the most important issues that regulators from different nations must address as internationalization proceeds. Such regulation is central to the ability of securities firms to withstand losses in the normal course of trading and thus is a major contributor to investor confidence in the integrity of the system as a whole. Also international clearing and settlements practices will become an increasingly important but complex issue. By reducing risks associated with transactions, progress in developing an efficient and timely clearance and settlement system can lessen the level of securities firm capital needed to ensure their financial integrity.

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**Somalia:  
Observations Regarding  
the Northern Conflict and  
Resulting Conditions**

GAO/NSIAD-89-159, May 4.

Somalia is strategically located on the east coast of Africa and, along Ethiopia and Djibouti, is often referred to as the Horn of Africa. Since a 1969 coup, President Siad Barre has ruled Somalia with the support of the military. Those viewed as opponents of the government have been subjected to arrest and imprisonment and on occasion to torture and execution. For years, the more affluent and independent Issak clan has been the target of a wide range of abuses by the government, due in part to its support for the anti-regime Somali National Movement. Of the Issak refugees GAO interviewed in Ethiopia, a majority said their homes had been destroyed and family members killed by government forces during the conflict between May and June 1988. It is not likely that the Issak refugees will return until they are confident it is safe to do so.

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Most of Hargeisa, the second largest city in Somalia, was destroyed or damaged during the conflict from artillery and aerial shelling. A shipment of U.S. arms and ammunition, which had been authorized more than 18 months before the conflict, arrived in late June 1988 and was used by the government during the conflict. And following the outbreak of fighting in May 1988, the United Nations High Commissioner for Refugees was unable to restore monitoring over the distribution of food commodities. It has continued to distribute food aid, albeit with reduced frequency and quantities to all refugee camps in the north.

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## Science, Space, and Technology

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### Space Operations: NASA Efforts to Develop and Deploy Advanced Spacecraft Computers

GAO/IMTEC-89-17, Mar. 31.

By the time a National Aeronautics and Space Administration spacecraft is launched, the computers inside the craft are outdated. Generally, it takes 8 to 20 years from the time computer technology is available on the ground to when it is deployed in space. Several factors contribute to this time gap. First, it is difficult to space-qualify computers. Computers have to be modified to withstand a harsh space environment, including exposure to radiation, high-energy particles, and extreme temperatures. Second, it takes several years to design, build, test, and launch a spacecraft. Because a craft's computer system is such an integral part of the design, NASA chooses a computer system early in development. Third, spacecraft safety and mission success depends on the reliability of on-board computers. Fourth, launch delays contribute to the age of spacecraft computers. NASA should further strengthen its ongoing activities by establishing an independent expert panel to comprehensively examine the process by which advanced spacecraft computers are developed and deployed, and determine ways to shorten the process.

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### Space Operations: NASA's Communications Support for Earth Orbiting Spacecraft

GAO/IMTEC-89-41, Apr. 7.

Although Goddard Space Flight Center officials have said that concerns about backup communications support for spacecraft emergencies have been lessened, no assessments of the risks to individual spacecraft missions from closing the ground stations have been performed, as

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requested by the National Aeronautics and Space Administration's Office of Space Operations. Significant financial investments are being made for NASA spacecraft, which dwarf the costs of operating the ground stations. For example, the Upper Atmosphere Research Satellite is expected to cost \$679 million to develop, the Cosmic Background Explorer \$150 million, and the Hubble Space Telescope \$1.5 billion, whereas the cost of keeping ground stations open is about \$7 million per station per year. Therefore, NASA needs assurance that earth-orbiting spacecraft missions will not be exposed to unreasonable risks due to the closing of the ground stations. To gain this assurance, specific data about the risks to individual spacecraft missions needs to be compiled and documented. This data can then facilitate a formal assessment of risks, as was requested by the Office of Space Operations.

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**Space Operations:  
Listing of NASA Scientific  
Missions, 1980-2000**

GAO/IMTEC-89-46FS, Apr. 7.

This fact sheet lists the National Aeronautics and Space Administration's active and planned scientific missions, 1980-2000. The list covers the following four major scientific disciplines: (1) planetary and lunar, (2) earth sciences, (3) space physics, and (4) astrophysics. During this period, NASA has or plans to support 84 scientific missions in these four disciplines.

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**Space Funding:  
NASA and DOD Activities  
for Fiscal Years 1981  
Through 1989**

GAO/NSIAD-89-102FS, Mar. 23.

In FY 1981 the National Aeronautics and Space Administration's and the Department of Defense's funding of their space programs were at about the same level. However, from FYs 1981 through 1989, NASA's space funding increased approximately 100 percent, from about \$5 billion to about \$10 billion, and DOD's increased approximately 228 percent, from about \$5 billion to about \$16 billion. NASA's funding rose relatively slowly and constantly from FYs 1981 through 1989, whereas DOD's funding increased much more rapidly from FYs 1981 through 1986 but essentially leveled off after that. DOD's space funding has exceeded NASA's every fiscal year since 1982, mainly because of DOD's increasing reliance on space and its assumption of responsibility for developing and procuring its own launch systems.



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## Energy

### Nuclear Regulation: License Renewal Questions for Nuclear Plants Need to Be Resolved

GAO/RCED-89-90, Apr. 3.

The Nuclear Regulatory Commission issues operating licenses to nuclear plants for up to 40 years. The license term does not reflect how long the plants are considered useful or safe; instead, it is based on past utility financing practices. NRC can extend operating licenses beyond 40 years, but it has no criteria to evaluate a license renewal request. Although NRC has developed three possible license renewal policy options and identified 15 areas of regulatory uncertainty that need to be resolved, it has made little progress in reaching definitive regulatory conclusions. NRC expects to do so sometime in the early 1990s.

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## Energy Management: Appeals Procedures for State and Local Assistance Programs

GAO/RCED-89-127, May 10.

The Department of Energy's state and local energy conservation grant programs are designed to encourage energy program initiatives at the state and local level and to help low-income persons meet home energy costs. The administrative review procedures for the programs are designed to give states an avenue to appeal decisions made by 10 DOE field offices which administer the grant programs day to day. Nationwide, no state has attempted to use the energy conservation, energy extension, or weatherization administrative review procedures according to DOE program officials. Moreover, officials from most of the 14 states contacted said they had not experienced problems that were significant enough to be appealed. With respect to the adequacy of the procedures, some state and DOE program officials were confused by the language of the review procedures as to the type of support office decision that could be appealed. To resolve the uncertainties related to the procedures states may use to appeal support office decisions, DOE should (1) clarify the current types of decisions appealable under the existing administrative review procedures and revise them to eliminate the perception of bias in review panel selection for two of the programs, and ensure that officials have a clear understanding of the administrative review procedures.

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**Energy Conservation:  
Federal Shared Energy  
Savings Contracting**

GAO/RCED-89-99, Apr. 17.

In a performance contract, known in the federal sector as a shared energy savings contract, a contractor installs and maintains energy conserving equipment. The contractor is paid a percentage of the energy cost savings directly resulting from the energy conservation measures during the life of the contract. A number of impediments have discouraged federal agencies from using shared energy savings contracts. As of November 30, 1988, only two federal agencies—the U.S. Postal Service and the Department of the Army—had awarded such contracts even though they can yield significant energy and cost savings. The three major impediments identified were: (1) uncertainty about the applicability of a particular procurement policy and practice, (2) lack of management incentives, and (3) difficulty in measuring energy and cost savings. The Department of Energy addressed the first and third impediments by developing a manual on shared energy savings contracting and by developing a methodology for calculating energy consumption and cost savings. The 100th Congress addressed the second impediment by authorizing incentives for federal agencies to enter into shared savings contracts.

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**Energy Information:  
Status, Cost, and Need for  
Energy Consumption and  
Fuel Switching Data**

GAO/RCED-89-98, Apr. 19.

The Department of Energy's Information Administration is responsible for collecting energy information and providing it to the federal government, state governments, and the public. EIA manages 70 energy data-gathering surveys, one of which covers fuel switching capability and energy consumption in the manufacturing segment of the industrial sector of the U.S. economy. EIA estimated that the cost of the survey to the federal government, consisting of EIA and Census Bureau costs to design and conduct the survey, was about \$1.8 million (in 1988 dollars) and the cost of the manufacturers participating in the survey was more than \$4 million (in 1988 dollars). According to EIA's justification to the Office of Management and Budget for the survey, most of the potential users of the survey data were federal offices. Officials of the seven of the eight federal offices GAO contacted indicated various uses for the energy consumption data, such as updating the national input-output tables and energy accounts, analyzing the competitiveness of U.S. industries, and doing emergency contingency planning.

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**Nuclear Waste:  
DOE Has Terminated  
Research Evaluating  
Crystalline Rock for a  
Repository**

GAO/RCED-89-148, May 22.

Section 161(c) of the Nuclear Waste Policy Amendments Act requires the Department of Energy to phase out funding for all existing research programs designed to evaluate the suitability of crystalline rock as a potential host medium for a nuclear waste repository. DOE terminated funding of such research projects. DOE continued other research efforts involving crystalline rock because they will provide information it considers useful for evaluating the suitability of Yucca Mountain, Nevada, for a potential repository. Such research activities are not prohibited by the amendments.

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**Natural Resources and  
Environment**

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**Superfund:  
Analysis of Issues  
Concerning the Operating  
Industries Site**

GAO/RCED-89-77, Mar. 30.

The Environmental Protection Agency faces the task of cleaning up potentially thousands of hazardous waste sites. A particularly large and dangerous site is the 190-acre Operating Industries, Inc., site in Monterey Park, California. The site is adjacent to residential neighborhoods and presents serious environmental problems, such as hazardous liquids (leachate) containing heavy metals, vinyl chloride, and other contaminants seeping into the groundwater. In May 1986 EPA listed the site on the National Priorities List—a list of the Nation's most dangerous sites. The Superfund was established the legal and financial mechanisms for dealing with the Nation's hazardous waste cleanup problems. EPA restricts the use of Superfund resources to cleaning up those sites included on the National Priorities List. The agency complied with Superfund and its implementing regulations in establishing the Operating Industries site boundaries to include the north parcel and was within its authority to select a site on the north parcel for a leachate treatment plant.

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**Federal Timber Sales:  
Legislative and  
Administrative Assistance  
Provided to Timber  
Purchasers**

GAO/RCED-89-117, Apr. 21.

Concern was expressed that a number of timber purchasers, especially in the Northwest, who purchased federal timber before 1982 still appear to be in financial trouble despite the relief provided by the Federal Timber Contract Payment Modification Act. To help these purchasers, the Forest Service and the Bureau of Land Management recently implemented deferred payment policies which provide additional assistance to purchasers of federal timber. Under the Buy-Out Act, the Forest Service and BLM were responsible for, among other things, (1) reviewing purchasers' eligibility for the program, (2) calculating the losses that purchasers would bear if the timber sales were completed, and (3) determining the amount that purchasers should pay to buy-out their contracts. The Forest Service and BLM effectively administered the program in accordance with the act.

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**Pesticides:  
Export of Unregistered  
Pesticides Is Not  
Adequately Monitored by  
EPA**

GAO/RCED-89-128, Apr. 25.

In 1978 Congress amended the Federal Insecticide, Fungicide, and Rodenticide Act to include export notification provisions for pesticides intended solely for export. The Environmental Protection Agency is responsible for export notices to importing countries of unregistered pesticides and worldwide notices of regulatory action on U.S. pesticides. Section 17(a) established notification requirements for the export of pesticides that are not registered for domestic use in the United States. The exporter/manufacturer is responsible for forwarding these notices to EPA, who then forwards them to the importing country. EPA has yet to establish an effective program to determine whether pesticide manufacturers are complying with the export notification requirements. It does not know whether export notices are being submitted as required by the act. It does not have internal procedures for preparing and issuing notices to foreign countries and international organizations when it has taken significant action on a pesticide because of a serious health or environmental concern.

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**Surface Mining:  
Operation of the Applicant  
Violator System Can Be  
Improved**

GAO/AFMD-89-31, Jan. 24.

The Surface Mining Control and Reclamation Act was enacted to protect society and the environment from the impact of irresponsible surface mining practices of some coal mine operations. A key provision of the

act requires that permits be denied to applicants who have outstanding violations of the act. Fundamental problems in the automated permit review system were identified, such as unreliable data—incomplete names and addresses initially entered into the system; poor quality of the data, including inconsistencies between hard copy record files and computerized reports; and lack of definitions for key issues. As long as the Office of Surface Mining Reclamation and Enforcement cannot accurately compare applicants to violators, there is an increased risk that applicants with outstanding violations could still receive mining permits.

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**Pipeline Safety:  
New Risk Assessment  
Program Could Help  
Evaluate Inspection Cycle**

GAO/RCED-89-107, Mar. 7.

The Natural Gas Pipeline Safety Act and the Hazardous Liquid Pipeline Safety Act provide the Department of Transportation the authority to establish and enforce safety standards for both interstate and intrastate pipelines used to transport natural gas and hazardous liquids. Pipeline safety responsibilities are located in the Research and Special Projects Administration, which has designated the Office of Pipeline Safety and RSPA's five regional offices to implement the national program of pipeline regulation, enforcement, training, and research. OPS' inspection cycle provides for each pipeline unit to be inspected every 2.5 years. When the cycle was developed, OPS did not consider that units with high relative safety risk need to be inspected more frequently than units with a low relative safety risk. The reliability of the data cannot be ensured because OPS has not provided its inspectors with sufficient training on how to enter and validate the pipeline data and use the priority program. Nor has OPS provided any guidance to regions on how to characterize the potential risk of pipeline units.

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**Water Pollution:  
Improved Monitoring and  
Enforcement Needed for  
Toxic Pollutants Entering  
Sewers**

GAO/RCED-89-101, Apr. 25.

The Clean Water Act seeks to reduce pollution of the Nation's waters to assure that they may be used safely for a variety of purposes. The National Pretreatment Program requires industries discharging billions of gallons of toxic materials and other wastes into the Nation's municipal sewage treatment facilities to "pretreat" their wastes prior to discharge. Pretreatment removes pollutants that may interfere with the treatment process, damage the facilities, or pass through the facility into receiving waters. Industrial users were in considerable noncompliance with discharge limits under the pretreatment program. According

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to GAO's survey results, for example, sampling inspections by major treatment plants disclosed that about 41 percent of their industrial users exceeded one or more applicable discharge limits during the 12-month period examined. Among the effects of such violations have been (1) the pass-through of untreated toxic pollutants to receiving waters, (2) interference with treatment plant operations or damage to plant facilities, and (3) exposure of treatment plant workers to health and safety problems. While the Environmental Protection Agency counts on treatment plants' enforcement programs to deter such violations, these plants have generally demonstrated a reluctance to take strong enforcement action when necessary. When they detect violations, treatment plants often limit their actions to telephone calls and warnings. If these actions do not achieve compliance, stiffer penalties such as fines are often not imposed.

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**Mineral Revenues:  
Implementation of the  
Federal Onshore Oil and  
Gas Leasing Reform Act of  
1987**

GAO/RCED-89-108, May 8.

The Federal Onshore Oil and Gas Leasing Reform Act allows the market, rather than administrative determinations, to set the value of leases. Overall, the Bureau of Land Management implemented the Reform Act well. BLM issued, within the legislatively required time frame, final regulations that conform with the act. The new leasing system meets the statutory requirement of first offering oil and gas leases competitively to the highest bidder before making them available for noncompetitive leasing. The results of BLM's test sales show substantial increases in the percentage of land leased competitively as well as in pre-acre revenues.

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**Agriculture**

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**Procurement:  
Information on Two Soil  
Conservation Service  
Contracts in Kansas**

GAO/RCED-89-123, Apr. 7.

GAO was asked to examine certain aspects of the award and administration of two contracts within the U.S. Department of Agriculture's Department of Soil Conservation Service. SCS awarded the contracts in 1988 for services to assist land owners in preparing soil conservation plans for farm lands located in western Kansas. SCS considered both technical evaluation scores and price in selecting the firm that best served the government's interests. John Ho & Associates, Inc.'s best and

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final offers were significantly higher than the award prices for both contracts. The cognizant SCS officials believe that the contractors selected will complete their work within the scheduled time frames and that the work they have performed to date has been satisfactory.

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## Commerce and Housing Credit

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### Financial Audit: Federal Deposit Insurance Corporation's 1988 and 1987 Financial Statements

GAO/AFMD-89-63, Apr. 28.

The Federal Deposit Insurance Corporation's financial statements for the years ended December 31, 1988, and 1987, present fairly, in all material respects, its financial position and the results of its operations. For 1988, FDIC had \$22,654,758,000, and for 1987 it had \$22,426,524,000 in assets, liabilities, and the deposit insurance fund.

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### Bank Failures: Independent Audits Needed to Strengthen Internal Control and Bank Management

GAO/AFMD-89-25, May 31.

Recent years have witnessed a steadily increasing number of insured bank failures, culminating in 184 such failures in 1987 with an expected net cost of \$1.8 billion to the Federal Deposit Insurance Corporation. During periodic bank examinations, federal regulators identified serious internal control weaknesses, which relate to elements that are under direct control of bank management. These weaknesses contributed significantly to virtually all the 184 bank failures in 1987. Insider abuse, fraud, and environmental factors (such as adverse economic conditions) were present, but experience has demonstrated that weak internal controls greatly increased a bank's vulnerability to these factors. However, insured banks are often under no legal or regulatory audit requirement. Independent audits can assist bank management in fulfilling its fiduciary duties, serve as a source of greater public disclosure, and assist federal regulators in their examination and supervision responsibilities. To be most effective and useful, those audits should include reports on internal controls and on compliance with laws and regulations.

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Commercial Fishing  
Vessel:  
Administration of the  
Colintinio Rose II Loan  
Guarantee

GAO/RCED-89-105, May 3.

This report reviews the history of a commercial fishing vessel, the Colintinio Rose II. In 1979, this vessel was financed under the Fisheries Obligation Guarantee Program of the National Marine Fisheries Service, an agency of the National Oceanic and Atmospheric Administration. After the owners had problems meeting payments, NMFS paid off the loan guarantee, took possession of the vessel, and arranged for its resale. The second owners defaulted on its loan. Through October 1988 NMFS' net disbursements for the vessel had totaled \$2.1 million. As of February 1989, NMFS was in the process of resolving the loan default with the second owners. The loan history indicates that first, NMFS approved the original loan guarantee without ensuring that the original borrowers had the necessary qualifications for the guarantee program. Second, NMFS did not document its consideration of alternatives to resolve the default over the years, nor its reasons for the various steps it took to resolve the default. Third, because NMFS did not ensure that the vessel was originally constructed according to specifications, it subsequently had to expend funds to make the vessel fit for fishing off the Pacific coast. Finally, NMFS did not document its internal controls over disbursement for vessel repairs, modifications, and other expenses.

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Financial Management:  
Federal Housing  
Administration's  
Accounting Methods and  
Section 203(B) Program

GAO/AFMD-89-26BR, May 5.

The basic purpose of Federal Housing Administration programs is to encourage improvements in housing standards and conditions, provide an adequate home financing system through mortgage insurance, and exert a stabilizing influence on the mortgage market. GAO contracted with the public accounting firm of Price Waterhouse to perform an audit of FHA's statement of financial position as of September 30, 1987, and an audit of all FHA's financial statements for the fiscal year ended September 30, 1988. Some selected observations are as follows: (1) For each fiscal year from 1979 through 1987, insurance written in economically stressed regions, which include Colorado, Texas, Oklahoma, and Louisiana, and for which default and foreclosure rates have been high, did not exceed 25 percent of the Mutual Mortgage Insurance Fund's insurance portfolio. (2) From fiscal years 1979 through 1987, the Fund showed a trend of writing insurance with more favorable loan-to-value ratios and thus more owner equity. (3) The average mortgage that the Fund insures has fallen behind national averages since FY 1982. And (4) as of December 31, 1987, both a Department of Housing and Urban Development actuary and an independent contractor hired by HUD concluded



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that the Fund was in sound financial condition based upon historical trends and their assessment of probable future events.

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**Federal Agricultural  
Mortgage Corporation:  
Underwriting Standards  
Issues Facing the New  
Secondary Market**

GAO/RCED-89-106BR, May 5.

The Agricultural Credit Act of 1987 created a secondary market for agricultural real estate loans to be administered by the Federal Agricultural Mortgage Corporation (known as Farmer Mac). The act provides parameters for establishing underwriting standards for the secondary market and tasks Farmer Mac with developing detailed underwriting standards within 120 days after Farmer Mac's 15-member permanent board's first meeting with a quorum present. Generally, underwriting standards in secondary markets are used to establish the qualifications that individual loans must meet if they are to be eligible to be purchased and packaged into pools for resale. Farmer Mac faces a number of key issues in developing its underwriting standards. These issues merit additional consideration during the legislative review process for Farmer Mac underwriting standards. The issues involve geographical and crop diversity of loans to be included in pools, agricultural real estate appraisals, risks associated with mandated reserves and risk-based fees for loan pools, Securities and Exchange Commission registration and disclosure provisions as they apply to Farmer Mac, determination of loan-to-value ratios, and rural housing provisions.

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**Farm Finance:  
Participants' Views on  
Issues Surrounding  
Chapter 12 Bankruptcy**

GAO/RCED-89-142BR, May 15.

On October 17, 1986, Congress enacted the Bankruptcy Judges, United States Trustees, and Family Farmer Bankruptcy Act. Congress intended that Chapter 12 bankruptcy would give family farmers facing bankruptcy a better change to reorganize debt and keep their land than they would have under existing bankruptcy legislation. GAO interviewed 59 participants on the Chapter 12 bankruptcy process—6 judges, 5 trustees, 11 debtor attorneys, 8 creditor attorneys, and 29 creditors. A majority of the creditors expressed a reluctance to lend to farmers, and over a third said they have raised interest rates to farmers as a result of the law. Most creditors preferred mandatory mediation which allows the farmer to require the creditor to negotiate debt repayment prior to taking other legal remedies for nonpayment of debt. Creditors say mandatory mediation is less costly because debt reduction is determined through negotiation versus a court-ordered process. A majority of individuals expressed concerns that the eligibility requirements to file for

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Chapter 12 bankruptcy were either too restrictive or too lenient. The initial milestones for filing and confirming Chapter 12 cases were not met in a substantial number of cases. Most Chapter 12 participants said that the milestones are reasonable, but they added that creditors, debtors, and the courts contribute to the missed milestones. The information in this briefing report was limited to only 4 of 94 U.S. bankruptcy courts and the results cannot be projected to other districts or to the Nation overall.

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**Check Collection:  
Competitive Fairness Is an  
Elusive Goal**

GAO/GGD-89-61, May 12.

When a check written on one bank is deposited in another, funds must be collected from the paying bank, the bank on which the check was written. To collect these funds, some banks—called collecting banks—and all Federal Reserve banks provide a check collection service for a fee. Some collecting banks have asserted that competition with the Reserve banks for check collection business is unfair because Reserve banks operate under different rules, that among other things, enable them to avoid bank fees that collecting banks incur. Owing to the differences in the rules under which they operate, Reserve and collecting banks each have unique abilities to attract customers. However, the inability of collecting banks to match Reserve banks collection terms, especially obtaining same-day payment without incurring bank fees, has constrained the collection options open to collecting banks, the collection services they may sell; and in turn, the potential efficiencies they may bring to the market. GAO found no evidence that the check collection system would be damaged if the differences in basic check presentment abilities of collecting and Reserve banks were narrowed or eliminated. In fact, the system might be improved by such a change. However, GAO believes that to develop a practical proposal that successfully accounts for the interests of all participants in the check collection system, the Federal Reserve will have to develop an explicit policy on competitive fairness and develop more specific criteria to guide its decisions on competitive fairness issues.

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**Imported Foods:  
Opportunities to Improve  
FDA's Inspection Program**

GAO/HRD-89-88, Apr. 28.

Under the Federal Food, Drug, and Cosmetic Act, the Food and Drug Administration is responsible for ensuring that imported FDA-regulated products meet the same safety and labeling standards as domestically

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produced products. During an average workweek in 1988, 226 FDA district office staff were involved in import inspection tasks. For these tasks, staff spent, on average, 38 percent of their time in paperwork processing, including the review of entry documents; 13 percent in travel to and from inspection sites; and 22 percent in physical inspections. Of the remaining 27 percent of their time, 14 percent involved clerical support and supervision and 13 percent was spent in meetings. FDA may be able to reduce the time spent on paperwork and travel by automating the paperwork review task and centralizing examination locations. If these changes were made, FDA inspectors might have more time available to devote to inspecting imported products.

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Postal Service:  
Discipline Practices Vary

GAO/GGD-89-79, May 19.

Discipline is a contentious issue for the United States Postal Service, which is the Nation's largest civilian employer, with a workforce of about 780,000 employees. In FY 1987, the Service imposed more than 69,000 formal disciplinary actions on its workers. Disciplinary actions for 26 categories of infractions included warning letters, suspensions, and, in about 10 percent of the cases, dismissals from the Service. Supervisors are given wide latitude in determining whether to use predisciplinary discussions for offending employees in lieu of issuing formal discipline and in selecting what penalties to impose for disciplinary infractions. Service nationwide data on disciplinary actions show that penalties vary widely within and across divisions in cases involving same infraction category and the same number of prior infractions. GAO could not determine from the data how much variation was justified by the circumstances in individual cases or how much was caused by supervisors following different procedures in assessing penalties. To enhance the consistency and predictability in the enforcement of the Service's work rules, the Postal Service should (1) define major and minor offenses to clarify when predisciplinary discussions should be given in lieu of discipline; (2) clarify whether predisciplinary discussions should precede disciplinary action for subsequent, but different, infractions committed by the same employee; (3) develop uniform rules for considering prior infractions; and (4) issue guidance to require concurring officials to review proposed suspensions and removals for consistency of penalties.

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## Transportation

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Transportation:  
Bibliography of GAO  
Documents, January 1985  
- December 1988

GAO/RCED-89-130, May 1989.

This bibliography includes information on GAO documents directly or indirectly related to transportation that were issued between January 1985 and December 1988.

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Railroad Safety:  
FRA Needs to Correct  
Deficiencies in Reporting  
Injuries and Accidents

GAO/RCED-89-109, Apr. 5.

In 1987, the Nation's railroads reported to the Federal Railroad Administration 2,647 accidents with damages of about \$177 million. These railroads also reported 27,198 injuries, including 1,165 fatalities. FRA is responsible for establishing safety regulations for the railroad industry. It uses monthly injury and accident reports submitted by the railroads as a basis for planning and executing its safety programs and for assessing and reporting on the safety condition of the railroad industry. However, FRA has little assurance that its injury and accident data base is reliable because the railroads GAO visited (CSX Transportation, Union Pacific, Amtrak, Chicago and North Western Transportation Company, and Chicago Central and Pacific Railroad) were not reporting accurately or completely. The railroads were either (1) underreporting the number of injuries and accidents; (2) understating the number of lost workdays and the estimated cost of damages due to train accidents; or (3) in the case of one railroad, not maintaining sufficient information to determine the accuracy of its reporting. To the extent that the data base is inaccurate, railroad safety may not be improving as much as FRA has reported.

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Port Development:  
Sponsors Have Not Used  
User Fee Financing to Date

GAO/RCED-89-125, May 4.

Section 208 of the Water Resources Development Act allows nonfederal interests to levy port or harbor dues or user fees on shippers to recover the nonfederal share of the costs of construction, operation and maintenance, and provision of emergency response services with respect to harbor navigation improvement projects. To date, section 208 cost recovery has not been pursued by those nonfederal interests whose projects were eligible. Instead, they are using other bases for selling securities to finance their share of project costs. There are a number of possible reasons why cost recovery is not being used, including: (1) dues cannot be charged until the project or a usable segment has been completed while sponsors may need upfront financing; (2) only those vessels benefitted by the particular project, rather than all vessels using the

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ports, can be charged the dues, such as shallow-draft vessels not benefiting from a channel-deepening project; and (3) a port charging the dues may be put at a competitive disadvantage with respect to other ports not charging such dues.

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**Highway Trust Fund:  
Condition and Outlook for  
the Highway Account**

GAO/RCED-89-136, May 9.

The Highway Trust Fund was created in 1956 to provide a mechanism for financing the federal-aid highway program. This umbrella program generally refers to the various components and programs that are funded through the Federal Highway Administration and administered by states' highway or transportation agencies. The balance in the Highway Account at the end of FY 1988—about \$9 billion—is needed to pay commitments to states. The balance, therefore, is not a surplus. These funds, along with projected future revenues, will be used to pay about \$31 billion in commitments that were outstanding as of FY 1988.

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**Airline Service:  
Changes at Major Montana  
Airports Since  
Deregulation**

This fact sheet provides information on changes in airline service at major airports in Montana since the airline industry was deregulated in 1978. The data indicate that, between 1978 and 1988, the number of airline passengers carried increased at two airports, decreased at two others, and remained about the same at three. For the seven airports as a group, the number of passengers increased by 15 percent. The number of aircraft departures increased at all seven airports during this period, but the percentage of those departures on jet aircraft decreased at all seven (by 62 percent as a group). The number of routes with direct service also decreased at all seven airports (by 24 percent as a group).

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**Aviation Safety:  
Serious Problems Continue  
to Trouble the Air Traffic  
Control Work Force**

GAO/RCED-89-112, Apr. 21

The 1988 perceptions of controllers, supervisors, and managers show little change since GAO's 1985 survey. Whatever changes the Federal Aviation Administration has made over the years, little overall improvement in work force attitude has occurred. In addition, a contrast of controllers' and facility managers' views illustrate the vast differences that exist in their perceptions of the work environment. The gap is also evident to a lesser extent between supervisors and managers. Specifically, controllers and their supervisors saw a shortage of developmental and full performance level controllers. Controllers are concerned that they typically handle too much traffic during peak periods of operation, and

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during these periods, are often required to work too long without a break. Managers agreed that there was a shortage of controllers; however, they did not believe controllers handle too much traffic or work too long without a break. Over 40 percent of controllers viewed their own morale as low. Most managers did not perceive controllers' morale to be low. A majority of controllers believed the quality of several essential areas of training for developmentals is inadequate. Facility managers do not agree. While no quantitative assessment of safety can be realistically made, the results shown in this survey do provide a unique perspective of the air traffic control system.

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Aviation Safety:  
Conditions Within the Air  
Traffic Control Work  
Force

GAO/RCED-89-113FS, Apr. 24.

This fact sheet supplements the work summarized in GAO's report about problems concerning the air traffic control work force (GAO/RCED-89-112). GAO compared the complete 1988 questionnaire responses of air traffic controllers, supervisors, and facility managers with those of the 1985 survey. In summary, the perceptions of the air traffic control work force have changed little since the 1985 survey.

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Housing and  
Community  
Development

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Disaster Assistance:  
Program Changes  
Expedited Delivery of  
Individual and Family  
Grants

GAO/RCED-89-73, Apr. 4.

The Federal Emergency Management Agency's Individual and Family Grant Program provides grants of up to \$10,000 to eligible households that are victims of major disasters, as declared by the President. The program is administered by the states, and FEMA is authorized to provide limited funding of state administrative costs. In the spring of 1986, FEMA began testing new administrative procedures to help expedite the issuance of grants to eligible IFG applicants. With the changes to the program, timeliness has measurably improved. For example, according to FEMA data, the states made grant award/denial decisions within 30 days on about 74 percent of the applications under the new procedures. At the same time, the new procedures, designed in part to reduce state

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administrative costs, reallocated verification and other administrative costs from the states to FEMA.

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**Disaster Assistance:  
Timeliness and Other  
Issues Involving the Major  
Disaster Declaration  
Process**

GAO/RCED-89-138, May 25.

The White House and the Federal Emergency Management Agency processed major disaster declaration requests in a timely manner, and as such, GAO did not identify any areas needing improvement. The federal government reached a decision, once a request was received, on average, in 10 days. The White House accounted for 3.5 of these days. FEMA has established procedures for disseminating information on major disaster declaration requests which GAO believes are adequate. However, the White House retains decision-making authority for declaring major disasters and ultimately has the prerogative to disclose information on its decision as it desires. There were no indications that party affiliation affected White House major disaster declaration decisions.

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**Urban Action Grants:  
Lansing, Michigan's Grant  
Requires Action**

GAO/RCED-89-85, Apr. 11.

GAO was asked to investigate an Urban Development Action Grant approved in 1984 for Lansing, Michigan. The UDAG program, administered by the Department of Housing and Urban Development, is designed to foster private investment in development projects in economically distressed communities. The grant approved for Lansing, Michigan, was intended to finance the purchase and installation of fixed capital equipment for use in the Hannah Technology and Research Center. The changes in the project's scope resulted from separate actions by HUD on two proposed amendments to the original grant agreement. In 1986, HUD officials approved a reduction in the grant amount from \$3.3 million to \$889,785. In 1987, HUD officials approved a modification that deleted the emphasis on leasing laboratory space to high-technology research tenants and reduced the number of proposed jobs from 600 to 60. HUD incorporated these changes into a revised grant agreement signed by HUD and Lansing officials in 1987. HUD's regulations, policies, and procedures allow for such changes and give program personnel broad discretion in administering the grants. As of February 1989, the UDAG funds has not been released to the City of Lansing. HUD officials said that Lansing officials must submit documentation required by the grant agreement, including the UDAG loan agreement between the city and the developer, before HUD releases the funds.

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Financial Audit:  
Federal Housing  
Administration Fund's  
1987 Statement of  
Financial Position

GAO/AFMD-89-3, May 12.

The basic purpose of the Federal Housing Administration programs is to encourage improvements in housing standards and conditions, provide an adequate home financing systems through mortgage insurance, and exert a stabilizing influence on the mortgage market. In GAO's opinion, and consistent with the opinion of Price Waterhouse, FHA's consolidated statement of financial position is fairly presented as of September 30, 1987, in conformity with generally accepted accounting principles. As of September 30, 1987, FHA has \$277 billion of insurance-in-force and government equity of \$1.2 billion.

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Social Services

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Parental Leave:  
Revised Cost Estimate  
Reflecting the Impact of  
Spousal Leave

GAO/HRD-89-68, Apr. 6.

GAO was asked to estimate the cost of adding a provision allowing 10 weeks of unpaid leave to care for a seriously ill spouse to H.R. 770, the Family and Medical Leave Act of 1989. H.R. 770 permits an employee to take up to 10 weeks of unpaid leave over a 2-year period upon the birth or adoption or placement for foster care of a child, or the serious health condition of a child or parent, and up to 15 weeks every year for personal illness. Upon returning to work, the employee is guaranteed the same or equivalent job. The legislation requires employers to continue health benefits for workers while on unpaid leave on the same basis as if the employee were still working, but does not require the continuation of other employee benefits. The proposed provision would provide the same job protection and health benefits. The estimated cost of H.R. 770 to employers having 50 or more workers would be about \$188 million<sup>1</sup> annually. If the legislation is expanded the cost increases by \$142 million to about \$330 million annually. When firms employing between 35 and 49 people are included, the cost of H.R. 770 is estimated to be \$212 million annually, which increases to \$368 million annually when the provision to care of seriously ill spouses is included.



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**Vocational Education:  
Opportunity to Prepare for  
the Future**

GAO/HRD-89-55, May 10.

Providing quality vocational education to underserved groups in all areas of each state and encouraging modernization and improvement of vocational education programs are two major objectives of the Carl D. Perkins Vocational Education Act. In the 6 states and 20 localities GAO visited, vocational education programs and services consistent with the Perkins Act were provided. But vocational education students in economically depressed areas may be less likely to receive Perkins funding for improved or modernized program activities than students outside such areas. All six states visited allocated more than half of their basic state grants to economically depressed areas, as the act requires. But some states designated relatively wealthy areas as "economically depressed" and gave them greater per capita funding than some poorer communities. Further, the disadvantaged population allocation formula includes students who are academically disadvantaged but not poor. Thus, some relatively wealthy school districts can receive more money per low-income student than districts with high concentrations for low-income students. Should Congress want to target additional Perkins Act funds to poor communities, it could amend the act to (1) require states to allocate at least as much Perkins funding for each vocational student in economically depressed areas as in other areas of the state, (2) remove "academically disadvantaged" students who are not poor from the fund allocation formula for the disadvantaged, and (3) require any Perkins funds redistributions for the disadvantaged and handicapped populations be made in approximately the same proportions between poorer and wealthier areas as the original allocations.

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**Student Athletes:  
Information on Their  
Academic Performance**

GAO/HRD-89-107FS, May 17.

This report provides information concerning academic performance and certain other issues related to student athletes in preparation for hearings on this topic. The National Association of Intercollegiate Athletics and the National Collegiate Athletic Association are the two largest athletic organizations that administer intercollegiate sports programs. Their combined membership is about 1,500 colleges and universities. Information was developed primarily from discussions with officials from NAIA, NCAA, the Department of Education, the American Association of Collegiate Registrars and Admissions Officers, and the National Association of Student Financial Aid Administrators. House bill 1454 and its companion Senate bill 580, both entitled the "Student Athlete Right-to-Know Act," are intended to provide a means to make student athletes more

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aware of the commitment of postsecondary institutions to academics as well as athletics. The major provision of these bills would require that institutions prepare and submit an annual report on seven specific data items to the Secretary of Education, who would in turn compile and publish the data annually. GAO found that much of the information schools would be required to report, such as graduation rates by race and amount of federal assistance to student athletes, is not currently collected by any of the groups contacted. However, some of the information is collected. For example, the NCAA compiles graduation rates for athletes and all students at its largest member schools, and the Department of Education compiles numbers of students receiving degrees by field of study. The NCAA and NAIA are currently planning to collect and publish some of the required data.

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**Special Education:  
Congressional Action  
Needed to Improve  
Chapter 1 Handicapped  
Program**

GAO/HRD-89-54, May 23.

In 1965, Congress established the Title I (now Chapter 1) Handicapped Program. Primarily, the program was to help states finance the education of handicapped children, most of whom were severely handicapped, in state operated or supported institutions. In 1975, Congress enacted a much larger program through the Education of the Handicapped Act. This required that states assure an adequate education for all handicapped children and provided additional federal financial assistance. Handicapped children in Chapter 1 are generally educated separately from nonhandicapped children. Although the services these handicapped children receive are similar in nature to those provided under EHA, they often are more frequent or more intensive, reflecting the more serious handicapping conditions of many children in the Chapter 1 program. Chapter 1 is administratively similar to EHA, and the procedural safeguards guaranteed to EHA program participants are also provided to Chapter 1 program students. However, a number of problems in Chapter 1 administration may indicate a need for legislative changes. For example, four states that count children with handicaps generally not considered to be severe have received nearly one-half of all program funds. Congress should restructure the Chapter 1 program to eliminate funding imbalances and to better assure that all states focus on severely handicapped children. Also, Congress should enact legislation to merge the Chapter 1 program under the EHA program. If the programs are merged, Congress should consider a separate funding set-aside for states to use to serve only severely handicapped children.

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### Homelessness: HUD's and FEMA's Progress in Implementing the McKinney Act

GAO/RCED-89-50, May 11.

The McKinney Act authorized additional funding for three existing programs—the Federal Emergency Management Agency's Food and Shelter Program, the Department of Housing and Urban Development's Emergency Shelter Grants Program and its Supportive Housing Demonstration Program. The act also established two new HUD programs—Supplemental Assistance for Facilities to Assist the Homeless, and the Single Room Occupancy Program. HUD and FEMA program funds enable many organizations to provide an increased amount of shelter, meals, and other services that may not otherwise be provided and that are often crucial to keeping facilities operational. The impact of the FEMA program, however, was lessened because it provided few or no funds during the crucial winter months of 1987-88. FEMA has disbursed \$97 million of its \$124 million McKinney Act funds by May 31, 1988; however only \$8.3 million was disbursed by January 31, 1988, and \$31.5 million by February 28. Actions were taken to alleviate this situation during the winter of 1988-89. The impact of the HUD program has been limited because these are long-term programs and grantees have made few disbursements. As of May 31, 1988, HUD had disbursed only 5 percent of the \$253 million provided for its programs. FEMA and HUD disbursements reached 100 percent and 24 percent, respectively, by February 17, 1989.

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## Health

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### Heart Transplants: Concerns About Cost, Access, and Availability of Donor Organs

GAO/HRD-89-61, May 3.

Heart transplant programs have increased significantly in the 1980s, 12 hospitals had heart transplant programs; 5 years later, 131 hospitals had such programs. On the basis of recent experience, however, it appears that a significant number of transplant hospitals in 1989 may not perform the minimum of transplants (12) recommended by the Task Force on Organ Transplantation for several reasons. Currently, heart transplants are limited by the lack of donors. In FY 1988, 109 hospitals performed 1,529 heart transplants. However, over 900 patients were waiting for a heart transplant, 3 times more than the number of patients estimated to be waiting in 1986. Heart transplant programs use medical and financial criteria in selecting potential candidates for a transplant. Ninety percent of the patients not accepted for transplantation did not

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meet the hospital medical criteria; another 7 percent failed to meet financial criteria. The average heart transplant charge for 1987 was about \$115,000. The majority of patients were covered by private health insurance.

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## Income Security

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### Railroad Retirement: Future Rail Employment and Trust Fund Solvency

GAO/HRD-89-30, Apr. 5.

Rail employment has steadily declined, from 1,680,000 in 1945 to 307,000 at the end of 1988. A number of forces are at work that likely will continue this decline to 200,000 or less. The overall drop in rail employment since 1945 has been influenced somewhat by this country's evolution toward a more service-oriented economy. The principal causes were the losses of passenger and freight traffic to other transportation modes. Despite lower future employment levels, current projections show that the railroad retirement account should be able to pay benefits into the first decade of the next century. These projections show an improvement in the financial status of the program because of a 1988 payroll tax increase, the extension of federal contributions from general revenues, and changes in certain other actuarial assumptions.

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### ADP Systems: SSA Efforts in Implementing Its Field Office Modernization

GAO/IMTEC-89-45, May 17.

In 1982 the Social Security Administration began the field office modernization project to provide for more rapid client service. The project called for increasing the number of computer terminals available to provide automated capabilities for entering information and making benefits calculations on new accounts, thereby eliminating the paper-oriented, manual process. GAO found that SSA: (1) met its initial field office hardware installation schedule by installing 22,892 computer terminals and the new communications network in some 1,300 field offices; (2) had redesigned portions of its retirement software and plans to complete this redesign by 1992; and (3) SSA field office personnel believe the increased quantity of terminals and the ability to quickly access data base information for retirement and supplemental income accounts allow personnel to promptly answer client inquiries while clients are in an SSA field office or on the phone.

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**Unemployment Insurance:  
Administrative Funding Is  
a Growing Problem for  
State Programs**

GAO/HRD-89-72BR, May 24.

Unemployment Insurance—a joint federal-state effort—is designed to provide temporary and partial wage replacement to unemployed workers. State administration is funded by an employer-paid federal tax on payrolls established in 1935, called the Federal Unemployment Tax Act. The Department of Labor allocates funds to the states through a process that is designed to provide them with the funding necessary for effective program operation. However, states have been concerned that federal allocations increasingly fail to meet their actual expenses. Federal UI administrative funding has risen and fallen during the 1980s, generally mirroring the changes in UI work load that accompany periods of recession and economic recovery. Federal funding increased substantially during the early 1980s, peaking at about \$1.6 billion in 1983 and then dropping by 8 percent in 1984, reflecting the work load decline that accompanied the economy's improvement. While the bulk of state administrative expenses are covered by federal funding, during the 1980s more states have supplemented their programs with increasing amounts of their own funds. The number of states supplementing their UI programs increased from 8 providing an average of \$138,000 to 33 contributing an average of \$1.6 million in 1987.

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**Long-Term Care Insurance:  
State Regulatory  
Requirements Provide  
Inconsistent Consumer  
Protection**

GAO/HRD-89-67, Apr. 24.

Expenditures for long-term care services in the United States are expected to exceed \$46 billion in 1988, principally for nursing home care. Publicly funded health care programs—Medicare for the aged and Medicaid for the poor—pay less than half. Private long-term care insurance offers potential to help defray these costs; it is intended to address these gaps and limitations in other insurance. Typically, such policies pay a set amount over a specified period for each day a policyholder uses a covered service. But there is considerable variation among policies in terms of coverage, the amounts payable per day, and other conditions affecting policy value and cost. State approaches to regulating long-term care insurance vary widely. Half the states have adopted specific legislation, although they vary in the degree to which they meet the National Association of Insurance Commissioners' recommended minimum standards. Many states allow insurers to use policy provisions that offer consumers less protection than recommended. While such provisions can result in lower policy premiums, they can adversely affect policyholders by (1) decreasing the likelihood that needed services will be

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covered and (2) increasing the risk of policy terminations for reasons other than nonpayment of premiums.

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## Veterans Affairs

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### Veterans' Benefits: Improvements Needed to Measure the Extent of Errors in VA Claims Processing

GAO/HRD-89-9, Apr. 13.

Each year the Department of Veterans Affairs pays about \$14 billion in compensation and pension benefits to about 3.8 million veterans and their dependents or survivors, and about \$125 million in burial benefits to veterans' survivors or estates. VA relies on its Statistical Quality Control system to determine the extent of errors made in adjudicating claims for these benefits. VA's SQC system does not provide reliable estimates of the extent of errors made in processing claims because (1) its case sampling is not consistently random, (2) regional staff performing SQC reviews are not independent of claims processing, and (3) the central office does not ensure that the regions comply with SQC procedures or that they report errors accurately. Moreover, the SQC system does not break out error rate data by program. As a result, VA lacks the information needed to produce accurate reports or take corrective actions within a given program. VA can improve the reliability of its measurements of claims adjudication quality by addressing these problems.

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### VA Health Care: Allegations Concerning VA's Patient Mortality Study

GAO/HRD-89-80, May 18.

GAO was asked to examine allegations that the Department of Veterans Affairs, formerly the Veterans Administration, altered the design of its patient mortality study to obtain results more favorable to VA. It was alleged in a newspaper article that the VA's Chief Medical Director ordered that the confidence level used in calculating the number of VA medical centers that had higher-than-expected mortality rates be changed from 95 to 99 percent in order to arrive at a lower number of hospitals with potential quality assurance problems. Based on information provided by VA, GAO cannot conclude that the Chief Medical Director or any VA official inappropriately attempted to give the appearance that VA had few hospitals with higher-than-expected mortality rate than actually exist.

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**VA Health Care:  
Few Veterans Denied Care  
at Florida Clinics**

GAO/HRD-89-69, May 31.

Concern was raised that the Department of Veterans Affairs clinics might be denying care to large numbers of veterans who apply for outpatient medical care in high-demand areas. GAO visited 4 of the 14 VA clinics in Florida, which VA considers to be a high-demand area. GAO estimates the four clinics denied outpatient care to less than 1.4 percent of the applicants during FY 1988. These applicants were denied care because either they were not eligible to receive care at VA clinics or the services needed were not available.

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**VA Health Care:  
Veterans' Demand for  
Outpatient Care**

GAO/HRD-89-70, May 31.

The Department of Veterans Affairs operates 235 clinics, which provide veterans a wide range of medical care, including services needed to (1) prepare for a hospital admission, (2) obviate the need for a hospital admission, or (3) complete treatment begun during a hospital stay. The Veterans' Health-Care Amendment of 1986 established three categories of veterans' eligibility for medical care. One category, referred to as category A, includes veterans who have (1) incurred or aggravated a disease, injury, or other physical or mental impairment during military service; (2) a special status (such as former prisoner of war or World War I veterans); and (3) incomes below a specified level. GAO estimates that 9.2 million veterans could have been classified as category A during FY 1986 and that such veterans made about 16.6 million outpatient visits to VA clinics. Category A veterans with service-connected disabilities had a higher level of usage (an average of 2.2 visits per eligible veteran) than those without such disabilities (1.5 visits).

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**Administration of  
Justice**

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**Immigration Service:  
Allegation of Adverse  
Actions Taken Against INS  
Agents**

GAO/GGD-89-70, May 1.

Eight Immigration and Naturalization Service Anti-Smuggling Unit agents from the Houston District Office sent a letter to Members of the Texas Congressional delegation alleging the District management took improper actions regarding the management of ASU. At different times,

after INS management learned of the ASU agents writing to Members of Congress, several unfavorable actions were taken against the agents. These actions included the following: five agents received significantly different promotion/transfer assessments from first- and second-level supervisors, three of the agents had their initial performance ratings lowered in the review process on the basis of reasons that were inadequately documented, and two supervisors and one agent allegedly were pressured to take unwanted transfers. GAO believes that INS management took unfavorable actions against the agents and their supervisors that might have resulted partly from the letter. However, GAO cannot make a legal determination that retaliation occurred because it is not clear (1) whether the letter was a significant motivating factor for the unfavorable actions or (2) whether the actions were based on concerns about performance.

## General Government

### Budget Issues: Capital Budget Information for the Fiscal Year 1990 Budget Resolution

GAO/AFMD-89-66FS, Mar. 31.

This fact sheet contains language for developing a capital budget proposal as part of the Budget Resolution for FY 1990. The language for the budget resolution and two capital budget tables are provided.

### Financial Integrity Act: Actions Needed to Correct ADP Internal Control Weaknesses

GAO/IMTEC-89-11, May 9.

Under the Federal Managers' Financial Integrity Act, agencies are required to evaluate and report on their internal accounting and administrative controls annually. Automated Data Processing weaknesses are a significant portion of all weaknesses reported under the act. The 23 federal agencies reported 522 ADP internal control weaknesses under the act from 1983 to 1987, accounting for about one-fourth of all weaknesses identified. Of these 173 were reported as active in agencies' 1987 Financial Integrity Act reports. About 86 percent of the active ADP weaknesses fell within 4 types identified by GAO: (1) controls over computer applications, (2) ADP security, (3) ADP organization and management, and (4) methodology for evaluation ADP controls and security. The Office of Management and Budget should take the leadership role to focus attention on progress in identifying and correcting the underlying



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management controls problems that affect successful implementation of the act. The Director of OMB should annually provide a concise summary to Congress of the status of agencies' actions to correct ADP organization and management control weaknesses and evaluation methodology weaknesses; and the status of ADP weaknesses for which corrective actions have been delayed by more than 1 year.

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**Managing the Government:  
Revised Approach Could  
Improve OMB's  
Effectiveness**

GAO/GGD-89-65, May 4.

The Office of Management and Budget plays a pivotal role in deciding how the President allocates federal resources. In addition, the President and Congress look to OMB for leadership in improving government operations. In comparing Reform '88 initiatives to earlier OMB management improvement efforts, GAO found that OMB has achieved some success. However, in terms of basic management issues directly affecting the delivery of government services to millions of people, OMB's efforts, past and present, have been much less successful. Progress in the administrative areas of debt and credit management and financial management was achieved because there was broad agreement among the White House, Congress, and agencies on the need for reform. Other Reform '88 initiatives, such as contracting out and procurement reform, were unsuccessful. Inconsistent leadership, limited resources, implementation strategies that failed to recognize unique agency environments, and insufficient efforts to gain congressional support were all factors. GAO makes a number of specific recommendations aimed at improving OMB's leadership on management issues.

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**Federal Personnel:  
Status of the Federal  
Employee Direct Corporate  
Ownership Opportunity  
Plan**

GAO/GGD-89-49, Apr. 3.

The Federal Employee Direct Corporate Ownership Opportunity Plan evolved through the efforts of the Offices of Personnel Management and Management and Budget. Its purpose is to increase the contracting out of the government's commercial-like activities by providing affected employees incentives to join those companies that receive the contracts. The plan was developed by OPM and then transferred to OMB for implementation in November 1987. The Department of Agriculture's National Finance Center has been considering contracting out under FED CO-OP. Agriculture has hired an accounting firm to determine its cost of operations but the agency believes that the activity would not be privately operated before mid-1990. As of February 1989, OMB was identifying potential future participants but had put further contracting out efforts

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on hold until it is clear what direction the new administration wants to pursue.

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**Tax Policy:  
Revenue Potential of  
Restoring Excise Taxes to  
Past Levels**

GAO/GGD-89-52, May 9.

Federal excise taxes are generally imposed as either a percentage of the price of the product or service (ad valorem) or as a fixed dollar amount per unit. To assist in the debate over whether or not to increase excise taxes, GAO identified certain excise taxes whose rates have not kept pace with inflation. Per unit taxes were selected for review because, unlike ad valorem taxes, the revenue from per unit taxes does not change with the price of the good or service; therefore, the real dollar value of the per unit tax falls with inflation. The per unit taxes selected included those imposed on alcohol, tobacco, gas guzzler cars, certain weapons, and wagering occupations. Had the excise taxes in the review been indexed to keep pace with inflation, the Joint Committee on Taxation estimates that they would generate additional revenues of \$2 to \$13 billion in 1989 and \$12 to \$75 billion over the 5-year period 1989 to 1993. The estimates vary depending on the index used and the time period indexed. Beyond the revenue considerations involved in a decision to maintain excise tax rates in real dollar terms, tough tax policy issues are involved. Both proponents and opponents of rate increases strongly argue their positions. In addition, administrative difficulties may be encountered if rates are indexed or changed to an ad valorem structure. However, GAO does not believe these difficulties are insurmountable.

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**Tax Administration:  
State and Local  
Compliance With Irs'  
Information Reporting  
Requirements**

GAO/GGD-89-63, May 5.

GAO was asked to determine whether state and local governments are complying with the Internal Revenue Service's requirements for reporting payments made to independent contractors on information returns. The policies and procedures in most of the 17 agencies in 6 states and of the 10 local governments visited were not in full compliance with IRS' information return requirements, mainly because the responsible officials did not fully understand the requirements. Some of the things IRS should do follow: (1) establish an IRS focal point to provide assistance to those state and local government officials needing further clarification or elaboration on their reporting responsibilities and (2) encourage state and local audit agencies to routinely check the agencies they audit for information returns compliance.

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**Unclaimed Money:  
Proposals for Transferring  
Unclaimed Funds to States**

GAO/AFMD-89-44, May 9.

Federal agencies hold hundreds of millions of dollars that individuals have never claimed. The reasons for the buildup of funds owed include owner abandonment, death, or incomplete or lost records which result in owners or heirs forgetting about or not being aware of assets. GAO provided information on proposed legislation that would require that federal agencies turn over to the states any amounts agencies cannot return to owners. If the initiative were adopted, it would supersede many laws that expressly prohibit transferring unclaimed funds to states. The implementation of a program to refund money to states would create additional administrative costs, fewer net federal resources would be available for federal programs as well as for state programs wholly or partially financed by federal grants.

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**State Department:  
Management of Overseas  
Real Property Needs  
Improvement**

GAO/NSIAD-89-116, Apr. 13.

GAO reviewed the Department of State's management of 7,500 U.S.-owned and leased properties. The review indicated substantial use of over-standard housing, resulting in excess cost to the U.S. government. For example, in Brussels, two couples with no children were given six-bedroom houses. GAO also found (1) inadequate maintenance of government-owned properties, (2) lack of technical expertise, (3) a real estate management information system that is incomplete and inaccurate, and (4) ineffective short- and long-range planning to acquire and dispose of property. These deficiencies contribute to the increasing cost of stationing personnel at overseas post. The State Department should vigorously enforce compliance with the procedures concerning the space standards for overseas housing; require the development of long- and short-range plans for the systematic acquisition and disposition of overseas properties; and expend the requisite effort to ensure that State has an effective real estate management system that contains current, reliable information for each post on a property-by-property basis.

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**Financial Audit:  
Audit of GSA's General  
Supply Fund for Fiscal  
Year 1988**

GAO/AFMD-89-67, May 17.

The General Services Administration's General Supply Fund was established by the Federal Property and Administrative Services Act to procure goods and services for the common use of federal agencies. In GAO's opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the GSA's General Supply Fund as

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of September 30, 1988, and the results of its operations, the changes in its financial position, and the reconciliation to budget reports for the fiscal year then ended, in conformity with generally accepted accounting principles for federal agencies.

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**Financial Audit:  
House Office Equipment  
Service Schedules for  
Fiscal Year 1988**

GAO/AFMD-89-55, May 18.

The House of Representatives Office Equipment Service operates under the jurisdiction of the Clerk of the House of Representatives in accordance with Committee on House Administration regulations. Members, officers, or committees of the House of Representatives may be furnished with office equipment by the Clerk, subject to legislative limits and regulations prescribed by the Committee on House Administration. GAO examined the schedule of purchased equipment accounts and the related schedule of revenues and costs prepared from records maintained by the House Office Equipment Service and the House Finance Office for the fiscal year ended June 30, 1988. In GAO's opinion, the schedules present fairly the purchased furnishings and equipment accounts and revenues and costs of the House Office Equipment Service.

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**National Archives:  
a Review of Selected  
Management Issues**

GAO/AFMD-89-39, May 23.

Allegations were made by a former Archives employee that there were abuses of appropriation authority, federal procurement regulations, and federal personnel law at the National Archives and Records Administration. GAO did not identify any evidence to substantiate the allegations. However, GAO identified weaknesses in financial reporting and auditing and found a lack of written policies and procedures.

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**Congressional  
Testimony by GAO  
Officials**

Federal Facilities' Compliance With the Clean Water Act, by Peter F. Guerrero, Resources, Community, and Economic Development Division, before the Environmental Restoration Panel, House Committee on Armed Services, Apr. 26. GAO/T-RCED-89-32.

Observations on the Corps of Engineers' Draft General Design Memorandum for the Proposed Atlantic Coast of Maryland Hurricane Protection Project, by J. Dexter Peach, Resources, Community, and Economic Development Division, before the Subcommittee on Environment,

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Energy, and Natural Resources, House Committee on Government Operations, Apr. 28. GAO/T-RCED-89-33.

Export of Unregistered Pesticides Is Not Adequately Monitored by EPA, by J. Dexter Peach, Resources, Community, and Economic Development Division, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, May 3. GAO/T-RCED-89-31.

FAA Appropriation Issues, by Kenneth M. Mead, Resources, Community, and Economic Development Division, before the Subcommittee on Transportation, Senate Committee on Appropriations, May 4. GAO/T-RCED-89-34.

FAA's Voice Switching and Control System, by Samuel W. Bowlin, Information Management and Technology Division, before the Subcommittee on Transportation and Related Agencies, Senate Committee on Appropriations, May 4. GAO/T-IMTEC-89-6.

DOD Test and Evaluation, by Eleanor Chelimsky, Program Evaluation and Methodology Division, before the Military Reform Caucus, May 4. GAO/T-PEMD-89-4.

The Strategic Petroleum Reserve Amendments of 1989, by Keith O. Fultz, Resources, Community, and Economic Development Division, before the Senate Committee on Energy and Natural Resources, May 4. GAO/T-RCED-89-38.

National Institute of Standards and Technology and the National Security Agency's Memorandum of Understanding on Implementing the Computer Security Act of 1987, by Milton J. Socolar, Special Assistant to the Comptroller General of the United States, before the Subcommittee on Legislation and National Security, House Committee on Government Operations, May 4. GAO/T-IMTEC-89-7.

Status of Plans for the 1990 Decennial Census, by Gene L. Dodaro, General Government Division, before the Subcommittee on Government Information and Regulation, Senate Committee on Governmental Affairs, May 5. GAO/T-GGD-89-20.

Issues Related to FAA's Effectiveness, by Kenneth M. Mead, Resources, Community, and Economic Development Division, before the Subcommittee on Aviation, House Committee on Public Works, May 9. GAO/T-RCED-89-39.

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Status of Defense Forces and Five Year Defense Planning and Funding Implications, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Armed Services, May 10. GAO/T-NSIAD-89-29.

Senate Bill 543: The Job Training Partnership Act Youth Employment Amendments of 1989, by William J. Gainer, Human Resources Division, before the Subcommittee on Employment and Productivity, Senate Committee on Labor and Human Resources, May 11. GAO/T-HRD-89-18.

U.S.-Japan FS-X Codevelopment Program, by Frank C. Conahan, National Security and International Affairs Division, before the House Committee on Science, Space and Technology, May 11. GAO/T-NSIAD-89-31.

Transportation Trust Funds, by Victor S. Rezendes, Resources, Community, and Economic Development Division, before the Subcommittee on Transportation, Senate Committee on Appropriations, May 11. GAO/T-RCED-89-36.

DOD Acquisition Reform Efforts, by Paul F. Math, National Security and International Affairs Division, before the Subcommittee on Defense Industry and Technology, Senate Committee on Armed Services, May 11. GAO/T-NSIAD-89-23.

U.S. Trade Deficit: Impact of Currency Appreciations in Taiwan, South Korea, and Hong Kong, by Allan I. Mendelowitz, National Security and International Affairs Division, before the Subcommittee on International Trade, Senate Committee on Finance, May 12. GAO/T-NSIAD-89-28.

DOD's Management of the Asset Capitalization Program Needs Improvement, by Louis J. Rodrigues, National Security and International Affairs Division, before the Subcommittee on Readiness, Sustainability, and Support, Senate Committee on Armed Services, May 12. GAO/T-NSIAD-89-30.

Reregistration and Tolerance Reassessment Remain Incomplete for Most Pesticides, by Peter F. Guerrero, Resources, Community, and Economic Development Division, before the Subcommittee on Toxic Substances, Environmental Oversight, Research and Development, Senate Committee on Environmental and Public Works, May 15. GAO/T-RCED-89-40.

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EPA's Safety Assessment of Substitutes for Ozone-Depleting Chemicals and Legal Issues Relating to CFC and Halon Production Rights, by Richard L. Hembra, Resources, Community, and Economic Development Division, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, May 15. GAO/T-RCED-89-41.

Information Return Requirements for Independent Contractors, by Paul L. Posner, General Government Division, before the Subcommittee on Commerce, Consumer and Monetary Affairs, House Committee on Government Operations, May 16. GAO/T-GGD-89-21.

Export Credits: The Effectiveness of the 1987 Agreement To Control the Use of Tied Aid Credits Under the Arrangement on Guidelines for Officially Supported Export Credits, by Allan I. Mendelowitz, National Security and International Affairs Division, before Subcommittee on International Development, Finance, Trade and Monetary Policy, House Committee on Banking, Finance and Urban Affairs, May 16. GAO/T-NSIAD-89-33.

U.S.-Japan FS-X Codevelopment Program, by Frank C. Conahan, National Security and International Affairs Division, before the Subcommittee on Investigations, House Committee on Armed Services, May 16. GAO/T-NSIAD-89-32.

Immigration Reform: Status of Employer Sanctions After Second Year and Plans for Third Year, by Arnold P. Jones, General Government Division, before the Subcommittee on Immigration, Refugees and International Law, House Committee on the Judiciary, May 17. GAO/T-GGD-89-24.

Guidelines Needed for EPA's Tolerance Assessments of Pesticide Residues in Food, by Richard L. Hembra, Resources, Community, and Economic Development Division, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce, May 17. GAO/T-RCED-89-35.

DOD's Implementation of Joint Officer Personnel Policies, by Louis J. Rodrigues, National Security and International Affairs Division, before the Subcommittee on Investigations, House Committee on Armed Services, May 18. GAO/T-NSIAD-89-34.

Schedule Delays and Cost Overruns Plague DOD Automated Information Systems, by Charles A. Bowsher, Comptroller General of the United

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States, before the Subcommittee on Legislation and National Security, House Committee on Government Operations, May 18. GAO/T-IMTEC-89-8.

Information on the Forest Service Appeals System, by John W. Harman, Resources, Community, and Economic Development Division, before the Subcommittee on Conservation and Forestry, Senate Committee on Agriculture, May 18. GAO/T-RCED-89-43.

The Budgetary Treatment of the Proposed Resolution Funding Corporation (REFCORP), by Charles A. Bowsheer, Comptroller General of the United States, before the Task Force on Urgent Fiscal Issues, House Committee on Budget, May 19. GAO/T-AFMD-89-8.

Postal Service Discipline, by L. Nye Stevens, General Government Division, before the Subcommittee in Postal Personnel and Modernization, House Committee on Post Office and Civil Service, May 23. GAO/T-GGD-89-23.

Expanding the Decennial Census Applicant Pool, by Gene L. Dodaro, General Government Division, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service, May 23. GAO/T-GGD-89-22.

International Trade: Administration of Short Supply in Steel Import Restraint Agreements, by Allan I. Mendelowitz, National Security and International Affairs Division, before the House Congressional Steel Caucus, May 23. GAO/T-NSIAD-89-35.

The Government Printing Office's Future Direction, by Ray C. Rist, General Government Division, before the Subcommittee on Procurement and Printing, House Committee on House Administration, May 23. GAO/T-GGD-89-25.

GAO's Views on DOE's New Production Reactor Selection Process, by J. Dexter Peach, Resources, Community, and Economic Development Division, before the Department of Energy Defense Nuclear Facilities Panel, House Committee on Armed Services, May 24. GAO/T-RCED-89-46.

Federal Employees Health Benefits Program, by Bernard L. Ungar, General Government Division, before the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service, May 24. GAO/T-GGD-89-26.



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Unemployment Insurance: Administrative Funding Likely a Growing Problem, by William J. Gainer, Human Resources Division, before the Subcommittee on Human Resources, House Committee on Ways and Means, May 24. GAO/T-HRD-89-21.

Serious Problems Continue to Trouble the Air Traffic Control Work Force, by Kenneth M. Mead, Resources, Community, and Economic Development Division, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation, May 25. GAO/T-RCED-89-44.

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### NATIONAL DEFENSE

- ☐ Special Access Programs:  
DOD Is Strengthening Compliance With Oversight Requirements  
GAO/NSIAD-89-133, May 4.
- ☐ DOD Investigative Programs:  
Background Data  
GAO/NSIAD-89-143FS, May 10.
- ☐ DOD Internal Review:  
Extent of Operations, Types of Work Performed, and Benefits Derived  
GAO/AFMD-89-49FS, Apr. 5.
- ☐ Military Personnel:  
Implementation Status of Joint Officer Personnel Policies  
GAO/NSIAD-89-113, Apr. 7.
- ☐ Defense Manpower:  
Reductions in Joint Activities and Service Reallocations  
GAO/NSIAD-89-148FS, May 17.
- ☐ Strategic Defense Initiative Program:  
Zenith Star Space-Based Chemical Laser Experiment  
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